

**AUTHORITY REPORT: PROJECTED 2011/12 FINANCIAL OUTTURN POSITION**

**1. Confidential Report**

1.1 No

**2. Recommendation:**

2.1 To note this report and in particular the under spend against budget.

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**3. Purpose**

3.1 To provide a summary of the Financial Outturn for ELWA for the 2011/12 financial year.

**4. Revenue Budget**

4.1 The outturn figures presented in this report are projected and there may be some changes as the accounts are being closed down. If there are any significant changes then I will brief Authority Members accordingly.

4.2 Based on the budget of £53,336,000 and the actual net expenditure on services of £49,823,000 the under spend for the year is £3,513,000 (see Appendix A). This favourable variance is mainly due to savings made in the IWMS contract and economies in the non contract running costs. These greatly exceeded pressures elsewhere in the budget for example the shortfall against budget of commercial waste income.

4.3 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the constituent councils and the means by which this waste is disposed. The general trend during this financial year has been that waste levels are lower than projected when the budget was set. The provisional outturn variance of £3,513,000 also reflects the results of new arrangements at Reuse and Recycling Centres, improved diversion performance by the contractor, as well as the reductions in commercial waste tonnages received.

4.4 At the February meeting presenting the end of December 2011 position it was reported to Members that there would be a net under spend of approximately £1.7 million of which £1.6 million related to the saving on the contract. The two reasons underlying this under spend projection were reduced waste tonnages and improved diversion. In respect of waste tonnages, towards the end of the year there has been a further decrease in tonnage which ELWA officers have advised was below 35,000 tonnes in March compared to approximately 41,000 tonnes assumed in the Annual Budget and Service Delivery Plan (ABSDP). Also at the February meeting, a moderate level of savings associated with the Solid Recoverable Fuel diversion proposal were included in the end of year projection. Projected end of year savings in respect of this new scheme were deliberately cautious and in my report to the February meeting the report set out that an increase in the under spend would happen if the SRF diversion increased. Thus in February 2012 the diversion rate was 62%. In March there was a much improved diversion rate of 72%. This together with the reduced tonnages has led to the increased under spend on the contract to approximately £3.2million.

4.5 Looking ahead the 2012/13 Budget assumes a reduction in contractor costs of £3 million due to reduced tonnages compared to the cost assumed in the 2011/12 Budget as well as approximately £1 million of reduced costs in respect of diversion. The projected outturn as detailed in the report suggests therefore that ELWA has made significant progress already in being in a position to achieve the 2012/13 reduced contractor costs.

4.6 In 2011/12 employee costs show an under spend of £109,000 reflecting savings in Agency staff and recruitment costs as well as the non-filling of a vacant post. Other supplies and services costs under spent by £284,000. These relate to Biodegradability Testing which has not been needed this year, recycling initiatives and disposal credits. Also tonne mileage payments were below budget reflecting the reduced tonnages.

- 4.7 Commercial waste income was below its profiled budget by £318,000. This was due to a reduction in the amount of commercial waste delivered to ELWA by Havering and Redbridge and in particular Newham which has stopped its skip service.
- 4.8 The 2011/12 projected outturn variance is £3,513,000. At the levy setting meeting in February 2012 it was agreed that £701,000 of this projected under spend would be used directly to support the levy. The increase in the level of the under spend will also be used to help reduce levy increases in future years.

## **5. Prudential indicators**

- 5.1 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.

The Prudential Indicators are reviewed on a regular basis and all activities have been contained within the indicators as shown in the table below:

<b>Authority Limit for External Debt</b>	<b>Revised Limit 2011/12</b>	<b>Actual to 31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Borrowing	15,000	1,489
Other long term liabilities	105,000	95,539
TOTAL	120,000	97,028
<b>Operational Boundary for External Debt</b>	<b>Revised Limit 2011/12</b>	<b>Actual to 31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Borrowing	13,000	1,489
Other long term liabilities	105,000	95,539
TOTAL	118,000	97,028

## **6. 2011/12 Financial Statements**

- 6.1 The production of the 2011/12 Financial Statements is ongoing and this involves a significant piece of work which is very technical in nature to ensure the accounts are fully compliant with International Financial Reporting Standards. The statutory accounts need to be signed off by the Finance Director by 30<sup>th</sup> June 2012.

## **7. Conclusion**

- 7.1 The net under spend 2011/12 is £3,513,000. This is mainly due to reduced IWMS contract costs.
- 7.2 Part of this under spend is to be used to support the 2012/13 Levy and Budget.

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## **8. Relevant officer:**

Geoff Pearce, Finance Director / e-mail: [finance@eastlondonwaste.gov.uk](mailto:finance@eastlondonwaste.gov.uk) / 020 8708 3588

## **9. Appendices attached:**

Appendix A: Budget Monitoring Statement to 31<sup>st</sup> March 2012

**10. Background papers:**

6 February 2012 – Revenue & Capital Budgets and Levy 2012/13 Report & Minute  
6 February 2012 – Budgetary Control to 31 December 2011 Report & Minute  
28 November 2011 – Budgetary Control to 31 October 2011 Report & Minute No. 2011/4  
26 September 2011 - Budgetary Control to 31 August 2011 Report & Minute No. 2011/6  
27 June 2011 – Budgetary Control to 30 April 2011 Report & Minute No. 2011/8  
7 February 2011 - Revenue & Capital Estimates & Levy 2011/12 Report & Minute No. 2010/57  
12 February 2009 - IWMS Contract – Service Delivery Plan 2010/11 to 2014/15 (5 Year)  
(Implementation of the Joint Municipal Waste Management Strategy) – Confidential Report & Minute No. 2009/39

**11. Legal considerations:**

11.1 No additional issues.

**12. Financial considerations:**

12.1 As outlined in the report.

**13. Performance management considerations:**

13.1 The financial position and projections should reflect among other things service performance trends.

**14. Risk management considerations:**

14.1 Current position results in no change to present risk profile.

**15. Equalities considerations:**

15.1 The equalities impact assessment for this decision identified that there are no specific equality implications arising from this report.

**16. Follow-up reports:**

Provisional Outturn 2011/12 report.

**17. Websites and e-mail links for further information:**

None

**18. Glossary:**

ELWA = East London Waste Authority  
IWMS = Integrated Waste Management Strategy  
ABSDP= Annual Budget and Service Delivery Plan

**19. Approved by management board**

Not received

**20. Confidentiality:**

Not Applicable.